

What Peak Supply Could Mean for Gold

Saul Rosen April 05, 2018



The world wide supply of gold is starting to peak, however there is presently no shortage to drive price increases.

([Newswire.net](#) -- April 5, 2018) -- Gold, like any commodity is heavily dependent on the law of supply and demand. This law is [more of a theory in actuality that explains](#) :

“The interaction between the supply of a resource and the demand for that resource. The theory defines the effect that the availability of a particular product and the desire (or demand) for that product has on its price. Generally, low supply and high demand increase price. In contrast, the greater the supply and the lower the demand, the price tends to fall.”

At the end of the day, there is one big part of this equation that may be seeing some massive changes ahead. That is the supply side. Some experts argue that supply of [gold around the world is starting to hit its peak](#) and that supplies could fall dramatically ahead.

Why This Is Important

As the law of supply and demand suggests, when the supply of the precious metal declines and demand rises, a gold price increases take place. The idea here is that the global supply of gold is hitting its peak. At the end of the day, once supply peaks, it will eventually start to decline.

Think about it this way. Gold isn't something that can be made. Unfortunately, the scientific community hasn't come up with an efficient way to make gold in a lab. While they have come up with ways to create gold with nuclear reactors and particle accelerators, this process is [overwhelmingly expensive and would cost far more than the current market value of gold](#). So, once the world's supply of the commodity starts to taper off, the cost of gold could increase in a big way.

Paper Gold Expanding the Potential

While experts have warned that gold supplies around the world are starting to peak, we haven't seen the dramatic rise in the commodity that experts would expect with these types of statements being made. So, what's the deal?

Well, at the moment, while gold supplies may be peaking, there is no shortage in the supply of paper gold. Paper gold are gold-backed investment instruments. The only problem is that these paper investing instruments, while in some ways backed by actual, physical gold, [can be printed at many times the amount of gold they are backed by](#) .

As a result, the availability of paper gold seems to be tapering down the reaction that we would generally expect to see when a commodity peaks in supply. Nonetheless, when supply actually does start to fall, whether that be in months, years or decades, paper gold will likely lose its luster as investors scramble to get their hands on the real thing.

What to Watch for Ahead

Moving forward, gold is likely to be an incredibly interesting commodity to watch. In particular, keep a close eye on those [two key factors that determine the price of gold](#) , supply and demand. While no one could tell you when gold will finally peak and supplies will start to decline, but when that does happen, demand will likely spike, leading to massive gains in the price of the precious metal.

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